

## Message Text

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STATE FOR EUR/RPE, PAUL LASSE

E.O. 11652: N/A  
TAGS: ECON, EFIN, OECD  
SUBJ: REVISED DRAFT OF OECD MINISTERIAL COMMUNIQUE

REF: PARIS 18539

QUOTED BELOW IS AN ADVANCE COPY OF THE REVISED VERSION  
OF THE OECD DRAFT COMMUNIQUE FOR THE JUNE 14-15 MINIS-  
TERIAL MEETING. THIS REVISED DRAFT IS BASED ON DISCUS-  
SION AT THE JUNE 9 HEADS OF DELEGATION MEETING. THE  
REVISED DRAFT WILL BE CONSIDERED BY THE DRAFTING GROUP  
WHICH IS SCHEDULED TO BEGIN MEETING AT NOON ON JUNE 14.

BEGIN TEXT OF DRAFT COMMUNIQUE

(1) THE COUNCIL OF THE ORGANISATION FOR ECONOMIC CO-  
OPERATION AND DEVELOPMENT MET AT MINISTERIAL LEVEL ON  
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14TH-15TH JUNE, 1978, UNDER THE CO-CHAIRMANSHIP OF MR.  
KIICHI MIYAZAWA, JAPANESE MINISTER OF ECONOMIC PLANNING,  
AND MR. NOBUHIKO USHIBA, MINISTER FOR EXTERNAL ECONOMIC  
AFFAIRS.

(2) AGREEMENT WAS REACHED ON THE MAJOR COMPONENTS OF A  
BROAD PROGRAMME OF INTERNATIONALLY CONCERTED ACTION BY

MEMBER COUNTRIES TO ACHIEVE MORE SUSTAINED ECONOMIC GROWTH. AGREEMENT WAS ALSO REACHED ON THE RESPECTIVE ROLES OF INDIVIDUAL MEMBER COUNTRIES IN CONTRIBUTING TO FASTER GROWTH, GREATER PRICE STABILITY, BETTER PAYMENTS EQUILIBRIUM AND STRENGTHENED ENERGY POLICIES. REONIS-ING THAT THE MAINTENANCE OF AN OPEN MARKET-ORIENTED ECONOMIC SYSTEM IS AN ESSENTIAL PART OF THIS PROGRAMME, MINISTERS RENEWED THE DECLARATION OF 30TH MAY, 1974 (THE "TRADE PLEDGE") AND DECIDED TO ENDORSE SOME GENERAL ORIENTATIONS FOR POLICIES TO FACILITATE THE STRUCTURAL ADJUSTMENTS NEEDED TO SUSTAIN FASTER ECONOMIC GROWTH.

(3) MINISTERS CONSIDERED THE IMPLICATIONS OF THE GROW-ING ECONOMIC INTERDEPENDENCE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES FOR TRADE AND INVESTMENT. THEY CONFIRMED THEIR COMMITMENT TO CONSTRUCTIVE POLICIES FOR DEVELOPMENT CO-OPERATION TO HELP DEVELOPING COUNTRIES TO STRENGTHEN AND DIVERSIFY THEIR ECONOMIES AND TO IMPROVE THE WELFARE OF THEIR PEOPLE.

#### I. THE ECONOMIC BACKGROUND

(4) MINISTERS NOTED THAT DESPITE THE DIFFICULT CIRCUM- STANCES THERE HAS BEEN SOME IMPROVEMENT IN WORLD ECONOMIC CONDITIONS: RECESSION HAS BEEN REPLACED BY POSITIVE ECONOMIC GROWTH; INFLATION HAS BEEN SIGNIFICANTLY RE- LIMITED OFFICIAL USE

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DUCED; UNEMPLOYMENT HAS BEEN SUBSTANTIALLY REDUCED IN THE UNITED STATES AND HAS BEEN MITIGATED IN MANY MEMBER COUNTRIES BY SPECIAL MANPOWER AND EMPLOYMENT POLICIES; AN OPEN TRADING SYSTEM HAS BEEN MAINTAINED; SOME IMPOR- TANT PAYMENTS IMBALANCES HAVE BEEN CORRECTED; AND INTER- NATIONAL FINANCIAL MARKETS HAVE HELPED TO ALLEVIATE THE PROBLEMS POSED BY LARGE TRADE IMBALANCES INSIDE AND OUTSIDE THE OECD. NONETHELESS, THE RECORD OF RECENT YEARS IS IN MANY WAYS DISAPPOINTING AND REQUIRES CORREC- TION: UNSATISFACTORY GROWTH RATES; INSUFFICIENT JOB- CREATION; INFLATION THAT IS STILL TOO HIGH; EPISODES OF DISORDERLY EXCHANGE MARKET CONDITIONS; INCREASING PRESSURES FOR FORMS OF GOVERNMENT INTERVENTION WHICH INHIBIT MARKET FORCES IN GENERAL AND WORLD TRADE IN PARTICULAR; AND INSUFFICIENT PREPARATION AGAINST FUTURE NEEDS IN RESPECT OF ENERGY AND POSSIBLY SOME OTHER ESSENTIAL COMMODITIES. WHILE THESE DEVELOPMENTS ARE HARMFUL TO THE WELFARE OF ALL COUNTRIES, THE ADVERSE CONSEQUENCES FOR THE DEVELOPMENT PROSPECTS OF THE POORER COUNTRIES ARE OF PARTICULAR CONCERN.

(5) MINISTERS RECOGNISED THE COSTS AND DANGERS INHERENT

IN THE CONTINUATION OF PRESENT TRENDS:

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-- THERE ARE INCREASING ECONOMIC AND SOCIAL COSTS OF  
CONTINUING HIGH LEVELS OF UNEMPLOYMENT, PARTICULARLY  
AMONG YOUTH AND DISADVANTAGED GROUPS.

-- THERE ARE GROWING PRESSURES FOR PROTECTION AGAINST  
FOREIGN COMPETITION AND FOR EXPORT SUBSIDIES, AND A  
GROWING RISK THAT UNILATERAL TRADE AND OTHER CURRENT  
ACCOUNT MEASURES COULD TOUCH OFF CHAIN REACTIONS.

-- THERE HAS BEEN A TENDENCY FOR SECTORAL, REGIONAL  
AND MANPOWER POLICIES TO SHIFT FROM ACTION TO FOSTER  
ADJUSTMENT TO STRUCTURAL CHANGE TO MEASURES OF A  
DEFENSIVE CHARACTER THAT TEND TO PRESERVE THE STATUS  
QUO, WHICH THUS IN IMPORTANT RESPECTS HAVE THE SAME  
EFFECTS AS PROTECTIONIST TRADE MEASURES. UNDER CONDI-  
TIONS OF HIGH UNEMPLOYMENT, SOME DOMESTIC MEASURES  
TO MAINTAIN EXISTING EMPLOYMENT IN SECTORS OR COMPANIES  
IN FINANCIAL DIFFICULTY MAY BE JUSTIFIED IN THE SHORT  
RUN. BUT THEIR CONTINUATION ON A LARGE SCALE COULD  
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PROGRESSIVELY UNDERMINE THE DYNAMIC PROCESS WHICH UNDERLIES RISING PRODUCTIVITY AND COULD INHIBIT SUSTAINED NON-INFLATIONARY GROWTH.

-- RETURNING MIGRANTS AND SERIOUS PAYMENTS DIFFICULTIES HAVE MADE THE TASK OF CREATING SUFFICIENT JOBS IN LESS-INDUSTRIALISED MEMBER COUNTRIES MUCH MORE DIFFICULT, AND THEIR DEVELOPMENT RISKS BEING GRAVELY IMPEDED IF IT TAKES PLACE IN A CLIMATE OF DEPRESSED WORLD TRADE AND GROWING PROTECTIONISM.

(6) MINISTERS DISCUSSED THE CONSTRAINTS ON ECONOMIC GROWTH. SOME OF THESE ARE INTERNAL TO THE COUNTRIES IN QUESTION: HIGH RATES OF INFLATION, LOW PROFITS, AND DIFFICULTIES IN FINANCING LARGE BUDGET DEFICITS WITHOUT ADVERSE EFFECTS ON INFLATIONARY EXPECTATIONS. THERE IS ALSO AN EXTERNAL CONSTRAINT ON COUNTRIES WITH A WEAK BALANCE OF PAYMENTS. TOGETHER, THE PERSISTENCE OF HIGH RATES OF INFLATION, LOW LEVELS OF CAPACITY UTILISATION, AND LARGE INTERNATIONAL PAYMENTS DIS-EQUILIBRIA HAVE DEPRESSED BUSINESS CONFIDENCE. A FURTHER SIGNIFICANT FACTOR HAS BEEN UNCERTAINTIES ABOUT THE FUTURE SUPPLY AND PRICE OF ENERGY, RESULTING IN PART FROM DELAYS IN THE IMPLEMENTATION OF EFFECTIVE ENERGY POLICIES. UNDER THESE CONDITIONS, PRIVATE INVESTMENT HAS NOT RESPONDED AS EXPECTED TO THE STIMULUS PROVIDED TO AGGREGATE DEMAND BY LARGE BUDGET DEFICITS.

(7) WHILE RECOGNISING THESE CONSTRAINTS, MINISTERS REAFFIRMED THE DECISION THEY TOOK IN 1976 TO AIM FOR A MODERATE RATE OF EXPANSION, SUFFICIENT TO ENSURE A PROGRESSIVE RETURN TO FULL EMPLOYMENT, BUT NOT SO FAST AS TO RISK THE RE-EMERGENCE OF BOTTLENECKS AND AN

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UPSURGE OF INFLATIONARY EXPECTATIONS. IN LINE WITH THIS STRATEGY, MINISTERS AGREED THAT THERE IS A CLEAR NEED FOR ACTION TO STEP UP ECONOMIC GROWTH IN THE OECD AREA AS A WHOLE ABOVE THE RATE EXPERIENCED OVER THE LAST EIGHTEEN MONTHS. THIS CANNOT BE ACHIEVED SIMPLY BY INJECTIONS OF ADDITIONAL PURCHASING POWER. THE DIFFICULTIES NOW FACING THE WORLD ECONOMY ARE INSEPARABLE AND CANNOT BE LOOKED AT IN ISOLATION: GROWTH, JOBS, PRICE STABILITY, ENERGY, ADJUSTMENT TO STRUCTURAL CHANGE, ARE ONLY INDIVIDUAL FACETS OF THE OVERALL PREDICAMENT FACING MEMBER COUNTRIES TODAY. WHAT IS

NEEDED NOW, AND OVER THE MEDIUM TERM, IS A COMBINATION OF POLICIES TO ENSURE ADEQUATE DOMESTIC DEMAND AND TO CREATE THE RIGHT ENVIRONMENT FOR SUSTAINABLE GROWTH, WHICH REQUIRES LESS INFLATION, THE MAINTENANCE OF AN OPEN MARKET-ORIENTED ECONOMIC SYSTEM, AND A RECOVERY IN PRODUCTIVE INVESTMENT BASED ON IMPROVED PROFITS.

(8) A KEY FEATURE OF THE PROGRAMME OF CONCERTED ACTION SET OUT BELOW IS THAT DIFFERENTIATED ACTION ON VARIOUS FRONTS BY EACH MEMBER COUNTRY CAN, TAKEN TOGETHER, EASE THE CONSTRAINTS FACING EACH OF THEM INDIVIDUALLY:

-- THE CONTINUATION AND, IN SOME CASES, STRENGTHENING OF ANTI-INFLATIONARY POLICIES IN COUNTRIES WITH A POOR PRICE PERFORMANCE WILL LESSEN THE RISK THAT FASTER GROWTH IN THE OECD AREA AS A WHOLE SETS OFF A RENEWED BURST OF INFLATION;

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-- ACTION BY AN IMPORTANT GROUP OF COUNTRIES TO ACHIEVE FASTER GROWTH WILL EASE THE BALANCE-OF-PAYMENTS CONSTRAINTS ON COUNTRIES IN A WEAK EXTERNAL POSITION;

-- BY ACTING TOGETHER COUNTRIES WILL NEED TO TAKE LESS EXPANSIONARY ACTION, AND INCUR SMALLER BUDGET DEFICITS, THAN IF THEY ACTED IN ISOLATION;

-- POLICIES TO FACILITATE ADJUSTMENT TO STRUCTURAL CHANGES WILL HELP TO ENSURE THAT RISING DEMAND IS MATCHED BY INCREASED SUPPLY POTENTIAL; AND

-- STRONGER POLICIES TO ENCOURAGE CONSERVATION AND INCREASE PRODUCTION OF ENERGY IN COUNTRIES BEST PLACED TO DO SO WILL IMPROVE CONFIDENCE IN ALL MEMBER COUNTRIES.

(9) MINISTERS UNDERLINED THE FACT THAT SUCCESSFUL IMPLEMENTATION OF THIS PROGRAMME DEPENDS NOT ONLY ON LIMITED OFFICIAL USE

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GOVERNMENT POLICY, BUT, MORE BASICALLY, ON THE EXTENT TO WHICH ALL CONCERNED PURSUE RESPONSIBLE ATTITUDES TOWARDS THE DETERMINATION OF PRICES AND INCOMES. THEY STRESSED THEIR CONVICTION THAT, WITH THE NECESSARY CO-OPERATION FROM BOTH SIDES OF INDUSTRY, MORE SUSTAINED AND BETTER BALANCED ECONOMIC GROWTH CAN BE SECURED WITH A FURTHER PROGRESSIVE REDUCTION OF INFLATION.

## II. A PROGRAMME OF CONCERTED ACTION

(10) AGAINST THIS BACKGROUND, MINISTERS HAVE AGREED ON THE FOLLOWING MAJOR COMPONENTS OF A PROGRAMME OF CONCERTED ACTION.

### DEMAND MANAGEMENT AND STABILIZATION

(11) MINISTERS AGREED ON THE RESPECTIVE ROLES OF INDIVIDUAL MEMBER COUNTRIES IN CONTRIBUTING TO FASTER GROWTH, GREATER PRICE STABILITY AND BETTER PAYMENTS EQUILIBRIUM OVER THE NEXT EIGHTEEN MONTHS:

(I) BELGIUM, CANADA, FRANCE, GERMANY, ITALY, JAPAN, SWITZERLAND AND THE UNITED KINGDOM SHOULD ENSURE, BY APPROPRIATE MEASURES AS NECESSARY, THAT THE EXPANSION OF THEIR DOMESTIC DEMAND IS SIGNIFICANTLY GREATER THAN IN 1977, AND THE NETHERLANDS SHOULD ENSURE A GROWTH OF DOMESTIC DEMAND SIMILAR TO THE SATISFACTORY RATE ACHIEVED LAST YEAR. THE SCALE AND TIMING OF EXPANSIONARY ACTION BY COUNTRIES IN THIS GROUP SHOULD BE DETERMINED IN THE LIGHT OF THEIR INTERNAL AND EXTERNAL CIRCUMSTANCES; IN THIS RESPECT A PARTICULAR RESPONSIBILITY LIES WITH COUNTRIES IN A STRONG BALANCE-OF-PAYMENTS LIMITED OFFICIAL USE

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POSITION. SUCH ACTION SHOULD NOT UNDERMINE ANTI-INFLATIONARY POLICIES.

(II) ALL OTHER MEMBER COUNTRIES, WHO ARE NOT CURRENTLY IN A POSITION TO TAKE EXPLICIT ACTION TO EXPAND DOMESTIC DEMAND BEYOND WHAT IS NOW IN PROSPECT, SHOULD CONCENTRATE PRIMARILY ON REDUCING INFLATION AND IMPROVING THEIR BALANCE-OF-PAYMENTS POSITION. MOST COUNTRIES IN THIS GROUP CAN ACCEPT THE FASTER GROWTH WHICH CONCERTED ACTION WILL IMPART THROUGH A STRONGER RISE IN THEIR EXPORTS. BUT IN A FEW OF THEM, WHERE ACTIVITY HAS BEEN INCREASING BRISKLY AND DEMAND PRESSURES ARE QUITE STRONG, INCREASED EXPORTS RESULTING FROM CONCERTED ACTION SHOULD BE ACCOMPANIED BY REINFORCED STABILIZATION POLICIES WHICH PREVENT ANY NET ADDITION TO TOTAL DEMAND. IT IS PARTICULARLY IMPORTANT THAT THE RECENT ACCELERATION OF INFLATION IN THE UNITED STATES SHOULD BE REVERSED.

(12) MINISTERS INDICATED THE POLICIES THEY INTENDED TO PURSUE WITH REGARD TO THIS COMPONENT OF THE CONCERTED ACTION PROGRAMME, AND INSTRUCTED THE ECONOMIC POLICY COMMITTEE TO FOLLOW ITS IMPLEMENTATION CLOSELY.

MAINTENANCE OF AN OPEN MARKET-ORIENTED ECONOMIC SYSTEM

(13) MINISTERS AGREED THAT FIRM COMMITMENTS TO MAINTAIN AN OPEN MARKET-ORIENTED ECONOMIC SYSTEM, BOTH NATIONALLY AND INTERNATIONALLY, ARE ESSENTIAL TO THE SUCCESS OF

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THIS PROGRAMME. TO THIS END, MINISTERS:

(I) REITERATED THEIR COMMITMENT TO AN OPEN MULTILATERAL TRADING SYSTEM AND DECIDED TO RENEW THE DECLARATION TO THIS EFFECT OF 30TH MAY, 1974, WITH A NEW PREAMBLE WHICH TAKES INTO ACCOUNT DEVELOPMENTS SINCE THEN AND REFLECTS THE SPIRIT IN WHICH THEY INTEND TO PURSUE ITS IMPLEMENTATION (SEE ANNEX).

(II) REAFFIRMED THEIR DETERMINATION TO BRING THE MULTILATERAL TRADE NEGOTIATIONS TO A SUCCESSFUL OUTCOME IN THE NEAR FUTURE.

(III) EXPRESSED SATISFACTION THAT THE NEGOTIATIONS ON THE ARRANGEMENT ON GUIDELINES FOR OFFICIALLY SUPPORTED CREDITS HAVE BEEN SUCCESSFULLY CONCLUDED.

(IV) DECIDED TO ENDORSE THE GENERAL ORIENTATIONS FOR POLICIES TO FACILITATE THE STRUCTURAL ADJUSTMENTS  
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NEEDED TO SUSTAIN FASTER ECONOMIC GROWTH ANNEXED TO THIS COMMUNIQUE, AND INSTRUCTED THE SECRETARY-GENERAL TO MAKE PROPOSALS FOR AN EFFECTIVE FOLLOW-UP TO THIS DECISION.

ENERGY

(14) MINISTERS STRESSED THAT STRENGTHENED ENERGY POLICIES FORM AN ESSENTIAL PART OF THE CONCERTED ACTION PROGRAMME. THEY TOOK NOTE OF THE DECISION TAKEN BY THE GOVERNING BOARD OF THE INTERNATIONAL ENERGY AGENCY AT MINISTERIAL LEVEL ON 6TH OCTOBER, 1977 AND AGREED THAT THE PRINCIPLES FOR ENERGY POLICIES EMBODIED IN THAT DECISION NEED TO BE PURSUED VIGOROUSLY. WHILE CONSIDERABLE PROGRESS HAS BEEN MADE, MINISTERS UNDERLINED THE FOLLOWING POINTS:

(I) COUNTRIES WHERE ENERGY PRICING IS STILL BELOW WORLD



LEVELS SHOULD PAY PARTICULAR ATTENTION TO THIS ELEMENT IN ENERGY POLICIES SINCE THE PRICE MECHANISM IS ONE OF THE MOST IMPORTANT INSTRUMENTS FOR PROMOTING INCREASED EFFICIENCY OF ENERGY USE AND FOR EXPANDING ENERGY SUPPLIES.

(II) MORE SHOULD BE DONE TO REPLACE OIL BY OTHER FORMS OF ENERGY, PARTICULARLY BY EXPANDING COAL USE, BY AVOIDING FURTHER SLIPPAGES IN NUCLEAR PROGRAMMES AND BY DEVELOPING STABLE AND RELIABLE CONDITIONS FOR TRADE IN COAL AND NUCLEAR FUELS AND TECHNOLOGIES. A KEY REQUIREMENT IS THE NEED TO RESOLVE SPEEDILY CONFLICTS WHICH MAY EXIST BETWEEN ENERGY REQUIREMENTS AND REQUIREMENTS AND IMPORTANT ENVIRONMENTAL, REGIONAL, SAFETY AND SECURITY CONCERNS.

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(III) FURTHER ACTION IS NECESSARY TO ACHIEVE GREATER ENERGY CONSERVATION, EXPANDED OIL AND GAS EXPLORATION AND DEVELOPMENT, AND DEVELOPMENT OF NEW ENERGY TECHNOLOGIES.

(15) GIVEN ITS PREDOMINANT WEIGHT AS BOTH A CONSUMER AND PRODUCER OF ENERGY AND THE COST OF OIL IMPORTS TO ITS BALANCE OF PAYMENTS, IT IS OF DECISIVE IMPORTANCE THAT THE UNITED STATES SHOULD COMPLETE THE ADOPTION OF A COMPREHENSIVE ENERGY POLICY ALONG THESE LINES AS SOON AS POSSIBLE. AT THE SAME TIME, OTHER MEMBER COUNTRIES HAVE, IN THE AGGREGATE, AN EQUALLY IMPORTANT QUANTITATIVE CONTRIBUTION TO MAKE, AND MINISTERS AGREED THAT IN THESE COUNTRIES ENERGY POLICIES NEED TO BE STRENGTHENED FURTHER.

MONETARY CO-OPERATION

(16) IMPLEMENTATION OF POLICIES ALONG THE LINES DESCRIBED ABOVE, PARTICULARLY IF ADOPTED IN THE FRAMEWORK OF A CONCERTED PROGRAMME, WILL NOT ONLY IMPROVE THE PROSPECTS FOR ECONOMIC GROWTH, BUT WILL ALSO HELP TO REDUCE EXISTING PAYMENTS IMBALANCES AND THEREBY CONTRIBUTE TO GREATER STABILITY IN FOREIGN EXCHANGE MARKETS. MINISTERS AGREED THAT MONETARY POLICY HAS AN IMPORTANT ROLE TO PLAY IN THIS RESPECT AND THAT, WHILE EXCHANGE RATES MUST BE ALLOWED TO RESPOND TO CHANGES IN UNDERLYING CONDITIONS, THEIR MONETARY

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AUTHORITIES WILL CONTINUE TO INTERVENE FIRMLY IN EXCHANGE  
MARKETS TO COUNTER DISORDERLY CONDITIONS. GREATER  
STABILITY IN FOREIGN EXCHANGE MARKETS WILL, IN TURN,  
HELP TO IMPROVE CONFIDENCE AND THE ENVIRONMENT FOR  
SUSTAINED ECONOMIC GROWTH.

### III. GLOBAL INTERDEPENDENCE AND RELATIONS WITH DEVELOPING COUNTRIES

(17) MINISTERS REVIEWED RELATIONS WITH DEVELOPING  
COUNTRIES IN THE PERSPECTIVE OF DEVELOPMENT CO-OPERATION  
AND THE MANAGEMENT OF GLOBAL INTERDEPENDENCE. RECOG-  
NISING THAT THE PROSPERITY OF THE OECD COUNTRIES CAN-  
NOT BE PURSUED IN ISOLATION, THEY EMPHASIZED THE  
IMPORTANCE OF STRENGTHENED CO-OPERATION TO ADVANCE  
COMMON INTERESTS IN EFFICIENT GLOBAL ECONOMIC MANAGE-  
MENT AND MUTUALLY BENEFICIAL CHANGES IN THE STRUCTURE  
AND BALANCE OF THE WORLD ECONOMY. THEY ALSO STRESSED  
THE NEED FOR POSITIVE POLICIES FOR INCREASED AND MORE  
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EFFECTIVE SUPPORT OF ACCELERATED ECONOMIC AND SOCIAL  
DEVELOPMENT OF THE DEVELOPING COUNTRIES. THEY NOTED

WITH SATISFACTION THAT A NEW FORM OF DIALOGUE ON GLOBAL ECONOMIC ISSUES WITH DEVELOPING COUNTRIES HAD BEEN INITIATED IN THE UNITED NATIONS FRAMEWORK AND EXPRESSED THE HOPE THAT IT WOULD BE PURSUED CONSTRUCTIVELY.

INTERDEPENDENCE, TRADE AND ADJUSTMENT

(18) MINISTERS DISCUSSED RECENT CHANGES IN THE PATTERN OF WORLD MANUFACTURING AND TRADE, WITH PARTICULAR REFERENCE TO THE ADVANCES MADE BY NEWLY INDUSTRIALISING DEVELOPING COUNTRIES. WHILE UNDER CONDITIONS OF SLOWER GROWTH THESE HAVE CREATED ADJUSTMENT PROBLEMS IN A LIMITED NUMBER OF INDUSTRIAL SECTORS, MINISTERS AGREED THAT TRADE WITH DEVELOPING COUNTRIES HAS BROUGHT POSITIVE BENEFITS TO BOTH PARTIES, AND THAT THERE IS A MUTUAL INTEREST IN ENCOURAGING ADJUSTMENT TO CHANGING TRADE PATTERNS RATHER THAN RESISTING THEM. MINISTERS REITERATED THEIR COMMITMENT TO AN OPEN MULTILATERAL TRADING SYSTEM ON A WORLD-WIDE BASIS AND THEIR READINESS TO ADJUST TO CHANGES IN THE PATTERN OF WORLD PRODUCTION AND TRADE. RENEWAL OF THE TRADE PLEDGE, A SUCCESSFUL OUTCOME TO THE MULTILATERAL TRADE NEGOTIATIONS AND ENDORSEMENT OF THE NEED FOR MORE POSITIVE ADJUSTMENT POLICIES WILL CONTRIBUTE TO THIS END.

(19) AT THE SAME TIME MINISTERS NOTED THE ADVANTAGES WHICH WOULD FOLLOW TO THE WORLD ECONOMY IN GENERAL, INCLUDING TO OTHER DEVELOPING COUNTRIES, IF DEVELOPING COUNTRIES WITH STRONGER ECONOMIES WOULD PROGRESSIVELY ADAPT THEIR TRADE AND OTHER POLICIES IN LINE WITH THEIR LEVEL OF DEVELOPMENT AND BALANCE-OF-PAYMENTS POSITION. LIMITED OFFICIAL USE

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ENCOURAGING STRUCTURAL CHANGE THROUGH INCREASED INVESTMENT

(20) MINISTERS NOTED THAT SUSTAINED AND MORE BALANCED WORLD ECONOMIC GROWTH WILL REQUIRE INVESTMENT, PARTICULARLY IN DEVELOPING COUNTRIES, ON A SCALE LARGER THAN IS AT PRESENT OCCURRING, ESPECIALLY THOUGH NOT EXCLUSIVELY IN SECTORS SUCH AS ENERGY, FOOD PRODUCTION, CERTAIN INDUSTRIAL MATERIALS AND RELATED INFRASTRUCTURE. MEASURES TO STIMULATE SUCH INVESTMENTS IN SECTORS WHERE THE MARKET RESPONSE IN TERMS OF TOTAL FLOWS AND UNDUE RELIANCE ON SHORT-TERM FINANCING HAS BEEN INADEQUATE, WOULD BE IN THE MUTUAL INTEREST OF BOTH INDUSTRIAL AND DEVELOPING COUNTRIES. MINISTERS THEREFORE INSTRUCTED THE ORGANISATION TO STUDY THE UTILITY AND FEASIBILITY OF MORE COMPREHENSIVE MEASURES FOR INCREASED INVESTMENT

FLOW TO DEVELOPING COUNTRIES TO THIS EFFECT. THESE WOULD PREFERABLY BUILD ON EXISTING INSTITUTIONAL MECHANISMS AND MIGHT INCLUDE MEASURES TO INCREASE THE LENDING CAPACITY OF INTERNATIONAL AND NATIONAL DEVELOPMENT FINANCE INSTITUTIONS AND TO ENCOURAGE PRIVATE FLOWS AS WELL AS AID FOR FACILITATING INVESTMENTS IN THE LEAST-DEVELOPED COUNTRIES. SUCH MEASURES WOULD REINFORCE BROAD OBJECTIVES IN WORLD ECONOMIC CO-OPERATION AND DEVELOPMENT BUT ARE NO SUBSTITUTE FOR POSITIVE DEVELOPMENT CO-OPERATION. POSSIBLE MEASURES OF THIS NATURE WOULD HAVE TO BE WORKED OUT IN CLOSE CO-OPERATION WITH DEVELOPING COUNTRIES.

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DEVELOPMENT CO-OPERATION

(21) MINISTERS AGREED ON THE NEED FOR AN EVOLVING APPROACH TO DEVELOPMENT CO-OPERATION TO HELP DEVELOPING COUNTRIES TO STRENGTHEN AND DIVERSIFY THEIR ECONOMIES, TO SECURE DECENT CONDITIONS OF LIFE FOR THEIR PEOPLE, AND TO PARTICIPATE INCREASINGLY AS MORE EQUAL PARTNERS WITHIN THE WORLD ECONOMY. IN PARTICULAR, STEPPED UP COLLABORATIVE EFFORTS ARE REQUIRED TO HELP ENSURE THAT THE BASIC NEEDS OF THE WORLD'S POOR ARE MET AND TO

ENCOURAGE CONSTRUCTIVE STRUCTURAL CHANGE IN INTERNATIONAL ECONOMIC RELATIONS, LEADING TO A MORE EQUITABLE AND STABLE INTERNATIONAL ECONOMIC SYSTEM. THEY NOTED THE DISAPPOINTING RECENT AID RECORD AS A WHOLE, AND THE GROWING DISPARITY OF AID EFFORT AMONG DAC MEMBERS. MINISTERS THEREFORE WELCOMED THE STATEMENTS BY A NUMBER OF DONORS ON PLANS FOR EXPANDING THEIR AID ALLOCATIONS. MINISTERS OF OECD COUNTRIES, LIMITED OFFICIAL USE

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DONORS OF AID, REAFFIRMED THE INTENTION AS EXPRESSED BY THEIR COUNTRIES IN DIFFERENT FORA TO INCREASE EFFECTIVELY AND SUBSTANTIALLY THEIR OFFICIAL DEVELOPMENT ASSISTANCE AND TO ACHIEVE AN IMPROVED BALANCE OF THEIR EFFORTS IN THIS REGARD. THEY AGREED TO EXAMINE FURTHER HOW BEST TO ENSURE THAT AID INCREASES ARE EFFECTIVELY SPENT.

UNITED STATES PROPOSAL

(22) THE UNITED STATES DELEGATION HAS PROPOSED THE FOLLOWING PARAGRAPH FOR INCLUSION IN THE COMMUNIQUE:

"MINISTERS ANNOUNCED THEIR ACCORD ON BASIC ELEMENTS OF A TREATY TO PREVENT ILLICIT PAYMENTS IN CONNECTION WITH INTERNATIONAL COMMERCIAL TRANSACTIONS, AND EXPRESSED THEIR HOPE THAT THE TREATY BEING DRAFTED IN THE UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL COULD BE CONCLUDED AS SOON AS POSSIBLE. THEY AGREED TO SUPPORT A RESOLUTION BY THE ECONOMIC AND SOCIAL COUNCIL TO CONCLUDE A TREATY ON ILLICIT PAYMENTS.

THE FRENCH DELEGATION HAS PROPOSED THE FOLLOWING ALTERNATIVE TO THE UNITED STATES PROPOSAL:

"MINISTERS EXPRESSED THEIR SATISFACTION WITH THE SUBSTANTIAL PROGRESS MADE THIS YEAR BY THE SPECIAL WORKING PARTY OF THE UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL IN THE PREPARATION OF A TREATY TO PREVENT ILLICIT PAYMENTS IN CONNECTION WITH INTERNATIONAL COMMERCIAL TRANSACTIONS.

THEY EXPRESSED THE WISH THAT THE SUBSEQUENT PROGRESS OF LIMITED OFFICIAL USE

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THE WORKING PARTY WOULD PERMIT THE CONVENING OF

A CONFERENCE OF PLENIPOTENTIARIES IN 1979."  
SALZMAN

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NNN

## Message Attributes

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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
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**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014